

Form **990****Return of Organization Exempt From Income Tax**

OMB No. 1545-0047

2004Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

Open to Public
Inspection**A For the 2004 calendar year, or tax year beginning****and ending****B** Check if applicable

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions

C Name of organization**ATLANTIC LEGAL FOUNDATION**

Number and street (or P.O. box if mail is not delivered to street address)

60 EAST 42ND STREET

Room/suite

2102

City or town, state or country, and ZIP + 4

NEW YORK, NY 10165-0006**D Employer identification number****23-2022920****E Telephone number****(212) 867-3322****F Accounting method:**☐ Cash ☒ Accrual☐ Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.**H(a)** Is this a group return for affiliates? ☐ Yes ☒ No**H(b)** If "Yes," enter number of affiliates ▶**H(c)** Are all affiliates included? **N/A** ☐ Yes ☐ No (If "No," attach a list.)**H(d)** Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No**I** Group Exemption Number ▶**G Website:** ▶ **WWW.ATLANTICLEGAL.ORG****J Organization type** (check only one) ☒ 501(c)(3) (insert no) ☐ 4947(a)(1) or ☐ 527**K** Check here ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.**M** Check ☐ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)**L Gross receipts:** Add lines 6b, 8b, 9b, and 10b to line 12 ▶**578,679.****Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances**

1 Contributions, gifts, grants, and similar amounts received:				
a Direct public support	1a	388,058.		
b Indirect public support	1b			
c Government contributions (grants)	1c			
d Total (add lines 1a through 1c) (cash \$ 388,058. noncash \$)	1d	388,058.		
2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			
3 Membership dues and assessments	3			
4 Interest on savings and temporary cash investments	4	3,072.		
5 Dividends and interest from securities	5			
6 a Gross rents	6a			
b Less: rental expenses	6b			
c Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7 Other investment income (describe)	7			
8 a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other		
b Less: cost or other basis and sales expenses	8a	8b		
c Gain or (loss) (attach schedule)	8c			
d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d			
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>				
a Gross revenue (not including \$ 0. of contributions reported on line 1a)	9a	157,549.		
b Less: direct expenses other than fundraising expenses	9b	35,595.		
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c	121,954.		
10 a Gross sales of inventory, less returns and allowances	10a			
b Less: cost of goods sold	10b			
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
11 Other revenue (from Part VII, line 103)	11	30,000.		
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	543,084.		
13 Program services (from line 44, column (B))	13	373,836.		
14 Management and general (from line 44, column (C))	14	97,425.		
15 Fundraising (from line 44, column (D))	15	144,472.		
16 Payments to affiliates (attach schedule)	16			
17 Total expenses (add lines 16 and 44, column (A))	17	615,733.		
18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	-72,649.		
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	315,931.		
20 Other changes in net assets or fund balances (attach explanation)	20	-30,000.		
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	213,282.		

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LHA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2004)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Page 2

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising	
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____)	22				
23	Specific assistance to individuals (attach schedule)	23				
24	Benefits paid to or for members (attach schedule)	24				
25	Compensation of officers, directors, etc.	25	300,756.	225,567.	34,587.	40,602.
26	Other salaries and wages	26	44,924.	34,038.	5,328.	5,558.
27	Pension plan contributions	27				
28	Other employee benefits	28	45,582.	34,187.	5,470.	5,925.
29	Payroll taxes	29	23,872.	17,904.	2,865.	3,103.
30	Professional fundraising fees	30				
31	Accounting fees	31	12,100.		12,100.	
32	Legal fees	32				
33	Supplies	33	5,146.	3,997.	640.	509.
34	Telephone	34	4,665.	3,500.	560.	605.
35	Postage and shipping	35	8,169.	1,952.	1,302.	4,915.
36	Occupancy	36				
37	Equipment rental and maintenance	37	8,177.	6,133.	981.	1,063.
38	Printing and publications	38	19,637.	2,389.	4,186.	13,062.
39	Travel	39	9,340.	3,351.	3,299.	2,690.
40	Conferences, conventions, and meetings	40	12,122.	1,466.	6,409.	4,247.
41	Interest	41				
42	Depreciation, depletion, etc. (attach schedule)	42				
43	Other expenses not covered above (itemize).					
a		43a				
b		43b				
c		43c				
d		43d				
e	SEE STATEMENT 3	43e	121,243.	39,352.	19,698.	62,193.
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	44	615,733.	373,836.	97,425.	144,472.

Joint Costs. Check ☐ if you are following SOP 98-2.Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☒ No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;

(iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service AccomplishmentsWhat is the organization's primary exempt purpose? ☐

PUBLIC INTEREST LAW FIRM

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

Program Service Expenses
 (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)

a	SEE ATTACHED STATEMENT 6 - SUMMARY OF 2004 CASES	
	(Grants and allocations \$ _____)	373,836.
b		
	(Grants and allocations \$ _____)	
c		
	(Grants and allocations \$ _____)	
d		
	(Grants and allocations \$ _____)	
e	Other program services (attach schedule)	(Grants and allocations \$ _____)
f	Total of Program Service Expenses (should equal line 44, column (B), Program services)	373,836.

Part IV Balance Sheets

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	2,919.	45
	46 Savings and temporary cash investments	323,861.	46 249,464.
	47 a Accounts receivable	47a 5,327.	47c 5,327.
	b Less: allowance for doubtful accounts	47b	
	48 a Pledges receivable	48a 3,430.	48c 3,430.
	b Less: allowance for doubtful accounts	48b	
	49 Grants receivable		49
	50 Receivables from officers, directors, trustees, and key employees		50
	51 a Other notes and loans receivable	51a	51c
	b Less: allowance for doubtful accounts	51b	
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges	470.	53 17,761.
	54 Investments - securities	<input type="checkbox"/> Cost <input type="checkbox"/> FMV	54
	55 a Investments - land, buildings, and equipment: basis	55a	55c
	b Less: accumulated depreciation	55b	
56 Investments - other		56	
57 a Land, buildings, and equipment: basis	57a 45,557.	57c	
b Less: accumulated depreciation STMT 4	57b 45,557.		
58 Other assets (describe)		58	
59 Total assets (add lines 45 through 58) (must equal line 74)	338,950.	59 275,982.	
Liabilities	60 Accounts payable and accrued expenses	23,019.	60 62,700.
	61 Grants payable		61
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees		63
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable		64b
	65 Other liabilities (describe)		65
	66 Total liabilities (add lines 60 through 65)	23,019.	66 62,700.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted		67
	68 Temporarily restricted		68
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds	315,931.	70 213,282.
	71 Paid-in or capital surplus, or land, building, and equipment fund	0.	71 0.
	72 Retained earnings, endowment, accumulated income, or other funds	0.	72 0.
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19, column (B) must equal line 21)	315,931.	73 213,282.	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	338,950.	74 275,982.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-B	Reconciliation of Expenses per Audited Financial Statements with Expenses per Return
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Part V	List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated.)
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(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
WILLIAM H. SLATTERY 8 FORDAL ROAD BRONXVILLE, NY 10708	PRESIDENT 40 HRS/WK	 96,618.	 15,011.	 0.
MARTIN S. KAUFMAN 322 HEATCOTE ROAD SCARSDALE, NY 10583	SR VP & GENERAL COUNSEL 40 HRS/WK	 140,442.	 16,772.	 0.
BRISCOE R. SMITH 8 OAK BLEND BRONXVILLE, NY 10708	SR VP & COUNSEL 40 HRS/WK	 63,696.	 14,217.	 0.
SEE STATEMENT 7 ----- ----- -----	DIRECTORS 0	 0.	 0.	 0.
----- ----- -----				
----- ----- -----				
----- ----- -----				
----- ----- -----				
----- ----- -----				

Form 990 (2004)

Part VI Other Information

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A	78b	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures. See line 81 instructions 81a 0.		
b	Did the organization file Form 1120-POL for this year?	81b	X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b 51,149.		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A	84b	
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? N/A	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A	85b	
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members 85c N/A		
d	Section 162(e) lobbying and political expenditures 85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A	85h	
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12 86a N/A		
b	Gross receipts, included on line 12, for public use of club facilities 86b N/A		
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders 87a N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 0., section 4912 0., section 4955 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 0.		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization 0.		
90 a	List the states with which a copy of this return is filed PA, NY, MD, WV, NJ		
b	Number of employees employed in the pay period that includes March 12, 2004 90b 5		
91	The books are in care of ROSEMARY L. WEBBER Telephone no 717-671-1361		

Located at 2401 ASPEN WAY, HARRISBURG, PA

ZIP +4 17110

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here and enter the amount of tax-exempt interest received or accrued during the tax year

92

N/A

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
Note: Enter gross amounts unless otherwise indicated.					
93 Program service revenue:					
a					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	3,072.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					121,954.
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a NET ASSETS RELEASED					
b FROM RESTRICTION					30,000.
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		3,072.	151,954.
105 Total (add line 104, columns (B), (D), and (E))					155,026.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
101	ANNUAL DINNER SPECIAL EVENT

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 34 of the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☒ No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.			
	Signature of officer	Date	Type or print name and title	
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP + 4	EIN		Phone no

423161 01-13-05

Signature of officer: *William H. Slattery* Date: *5/14/05* Type or print name and title: *WILLIAM H. SLATTERY, PRESIDENT*

Preparer's signature: *Brian M. Menzel CPA* Date: *5/11/05* Check if self-employed ☐ Preparer's SSN or PTIN: *900450858*

Firm's name (or yours if self-employed), address, and ZIP + 4: *SIEGFRIED & SCHIEFFER, LLC*
1201 MARKET STREET, SUITE 700
WILMINGTON, DE 19801

EIN: *42-3161011* Phone no: *(302) 984-1800*

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

► **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No. 1545-0047

2004

Name of the organization

ATLANTIC LEGAL FOUNDATION

Employer identification number

23 2022920

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services	0	

Part III Statements About Activities (See page 2 of the instructions.)

Yes No

1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.)	1		X
Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.				
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)			
a	Sale, exchange, or leasing of property?	2a		X
b	Lending of money or other extension of credit?	2b		X
c	Furnishing of goods, services, or facilities?	2c		X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V, FORM 990	2d	X	
e	Transfer of any part of its income or assets?	2e		X
3 a	Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.)	3a		X
b	Do you have a section 403(b) annuity plan for your employees?	3b		X
4 a	Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?	4a		X
b	Do you provide credit counseling, debt management, credit repair, or debt negotiation services?	4b		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5 ☐ A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 ☐ A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 ☐ A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 ☐ A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 ☐ A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state **►** _____
- 10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a ☒ An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b ☐ A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.
Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ...	(a) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	349,888.	477,358.	454,853.	442,047.	1,724,146.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	2,158.	453.	959.	4,333.	7,903.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	254,476.		SEE STATEMENT 5		254,476.
23 Total of lines 15 through 22	606,522.	477,811.	455,812.	446,380.	1,986,525.
24 Line 23 minus line 17	606,522.	477,811.	455,812.	446,380.	1,986,525.
25 Enter 1% of line 23	6,065.	4,778.	4,558.	4,464.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					39,731.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2000 through 2003 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					1,165,144.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					1,986,525.
d Add: Amounts from column (e) for lines: 18 7,903. 19 22 254,476. 26b 1,165,144.					1,427,523.
e Public support (line 26c minus line 26d total)					559,002.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					28.1397%
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: N/A					
(2003) (2002) (2001) (2000)					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A					
(2003) (2002) (2001) (2000)					
c Add: Amounts from column (e) for lines: 15 16 17 20 21					N/A
d Add: Line 27a total and line 27b total					N/A
e Public support (line 27c total minus line 27d total)					N/A
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					N/A %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15					
					NONE

Part V Private School Questionnaire (See page 7 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)		
<hr/>		
<hr/>		
32 Does the organization maintain the following:		
a Records indicating the racial composition of the student body, faculty, and administrative staff?		
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
<hr/>		
33 Does the organization discriminate by race in any way with respect to:		
a Students' rights or privileges?		
b Admissions policies?		
c Employment of faculty or administrative staff?		
d Scholarships or other financial assistance?		
e Educational policies?		
f Use of facilities?		
g Athletic programs?		
h Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		
<hr/>		
<hr/>		
34 a Does the organization receive any financial aid or assistance from a governmental agency?		
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation		

Schedule A (Form 990 or 990-EZ) 2004

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check ☐ a ☐ if the organization belongs to an affiliated group.Check ☐ b ☐ if you checked "a" and "limited control" provisions apply.**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred)

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
	N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount. Enter the amount from the following table -		
If the amount on line 40 is -		
Not over \$500,000	20% of the amount on line 40	
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
Over \$17,000,000	\$1,000,000	
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 11 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period					N/A
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total	
45 Lobbying nontaxable amount					0.	
46 Lobbying ceiling amount (150% of line 45(e))					0.	
47 Total lobbying expenditures					0.	
48 Grassroots nontaxable amount					0.	
49 Grassroots ceiling amount (150% of line 48(e))					0.	
50 Grassroots lobbying expenditures					0.	

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
a Volunteers			
b Paid staff or management (include compensation in expenses reported on lines c through h.)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

[illegible]

(i)	Sales or exchanges of assets with a noncharitable exempt organization	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .
(ii)	Purchases of assets from a noncharitable exempt organization	. . .	.	.	.	.	.	.	.
(iii)	Rental of facilities, equipment, or other assets	... ..	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .
(iv)	Reimbursement arrangements	. ....	....	.....	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .
(v)	Loans or loan guarantees	.. ...	.....	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .
(vi)	Performance of services or membership or fundraising solicitations								

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received:

	Yes	No
51a(i)		X
a(ii)		X
b(i)		X
b(ii)		X
b(iii)		X
b(iv)		X
b(v)		X
b(vi)		X
c		X

N/A

[illegible]

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☒ No

b If "Yes," complete the following schedule: N/A

[illegible]

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
1	MANAGEMENT AND GENERAL OFFICE FURNITURE AND FIXTURES		SL	5.00	16	14,655.			14,655.	14,655.		0.
2	OFFICE FURNITURE AND FIXTURES		SL	5.00	16	24,605.			24,605.	24,605.		0.
3	COMPUTER - COMPU DYNE P100	12/31/96	SL	5.00	16	1,380.			1,380.	1,380.		0.
4	H P LASER JET	06/21/98	SL	5.00	16	1,150.			1,150.	1,150.		0.
5	OFFICE FURNITURE AND EQUIPMENT	06/15/00	SL	5.00	16	3,767.			3,767.	3,767.		0.
	* 990 PAGE 2 TOTAL					45,557.		0.	45,557.	45,557.	0.	0.
	MANAGEMENT AND GENERAL											
	* GRAND TOTAL 990 PAGE 2 DEPR					45,557.		0.	45,557.	45,557.	0.	0.

FORM 990	SPECIAL EVENTS AND ACTIVITIES	STATEMENT	1
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DESCRIPTION OF EVENT	GROSS RECEIPTS	CONTRIBUT. INCLUDED	GROSS REVENUE	DIRECT EXPENSES	NET INCOME
FUNDRAISING DINNER	157,549.		157,549.	35,595.	121,954.
TO FM 990, PART I, LINE 9	157,549.		157,549.	35,595.	121,954.

FORM 990	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	STATEMENT	2
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DESCRIPTION	AMOUNT
NET ASSETS RELEASED FROM RESTRICTION	-30,000.
TOTAL TO FORM 990, PART I, LINE 20	-30,000.

FORM 990	OTHER EXPENSES	STATEMENT	3
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DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
INSURANCE	12,052.	10,548.	1,504.	0.
SUBSCRIPTIONS	5,218.	3,181.	809.	1,228.
MISCELLANEOUS	8,163.	4,805.	1,435.	1,923.
OTHER PROF SERVICES	74,663.	0.	15,792.	58,871.
LEGAL SUPPORT				
SERVICES	19,831.	19,831.	0.	0.
PAYROLL SERVICES	1,316.	987.	158.	171.
TOTAL TO FM 990, LN 43	121,243.	39,352.	19,698.	62,193.

FORM 990	DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT	STATEMENT	4
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DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
OFFICE FURNITURE AND FIXTURES	14,655.	14,655.	0.
OFFICE FURNITURE AND FIXTURES	24,605.	24,605.	0.
COMPUTER - COMPUDYNE P100	1,380.	1,380.	0.
H P LASER JET	1,150.	1,150.	0.
OFFICE FURNITURE AND EQUIPMENT	3,767.	3,767.	0.
TOTAL TO FORM 990, PART IV, LN 57	45,557.	45,557.	0.

SCHEDULE A	OTHER INCOME	STATEMENT	5
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DESCRIPTION	2003 AMOUNT	2002 AMOUNT	2001 AMOUNT	2000 AMOUNT
AWARDED LEGAL FEES	254,476.	0.	0.	0.
TOTAL TO SCHEDULE A, LINE 22	254,476.	0.	0.	0.

**Atlantic Legal Foundation
60 East 42nd Street
Suite 2102
New York, NY 10165**

EIN # 23-2022920

Activities in 2004

Atlantic Legal Foundation's Mission

The mission of the Atlantic Legal Foundation is to advance the rule of law by advocating limited, effective government; free enterprise; individual liberty; school choice; and sound science.

Atlantic Legal is a nonprofit, nonpartisan public interest law firm with a demonstrable history of fighting for the integrity of the judicial process by ensuring that courts apply sound legal and scientific principles. Atlantic Legal provides legal representation and advice, without fee, to individuals, corporations, scientists, educators, trade associations, and other groups.

In case after case, Atlantic Legal brings about favorable resolutions for clients who continue to be challenged by those who use the power of government or the legal process to deny fundamental rights and liberties.

Activities and Programs

Sound Science in the Courtroom

***Aguilar v. ExxonMobil* ("Lockheed IV") (California Court of Appeal) (*Amicus*)**

In an extraordinary contribution to the advance of free enterprise and sound science, on January 31, 2005, the California Court of Appeal ruled in one of the most contentious and costly toxic tort actions in recent California litigation and rejected an appeal from a decision dismissing claims by workers who participated in the building of the "stealth" bomber and fighter aircraft and who alleged exposure to chemicals that damaged their health. In September 2004, we filed an *amicus* brief in the case on behalf of a Nobel Laureate in chemistry and 10 other prominent scientists.

The Lockheed litigation cases have their origin in the top-secret work done at Lockheed's Southern California plants beginning in the 1960s. The Lockheed workers were exposed to a variety of chemicals supplied by some of the country's largest chemical manufacturers. A little more than a decade ago, more than 600 of these workers sued Lockheed and its chemical suppliers, alleging that exposure to chemicals had damaged their health. The "injuries" claimed ranged from rashes or headaches to cancer.

The workers' claims were divided into groups and were heard as a series of back-to-back trials. Lockheed settled, but judgments in excess of \$760 million began piling up against the chemical companies named in the suit. Appeals were initially unsuccessful, but a significant procedural error in two groups of cases caused a panel of appellate judges to remand the cases for retrial. The results of those retrials have been very significant in their legal and economic implications.

The immense initial judgments for the plaintiffs are now in the process of being reversed. Where the courts originally found companies such as ExxonMobil, Ashland Chemical, Shell Oil, DuPont, and Unocal liable for the health problems experienced by Lockheed workers, they are now, on retrial, reaching very different conclusions about whether it is reasonable to claim that exposure to these companies' chemicals had any demonstrable effect on these workers' health at all. In the remanded retrial the court refused to admit the A\'expert\' testimony of Dr. Daniel Teitelbaum, who did not offer solid scientific evidence to support his opinion that chemical exposure had harmed the plaintiffs. Without that testimony, the plaintiffs' case collapsed and judgment was entered for the defendants.

In our brief, we argued that the "requirement of reliability" of expert testimony imposed by the California Evidence Code is similar to the standard developed by the United States Supreme Court in *Daubert v. Merrell Dow Pharmaceuticals* (1993) for cases in federal courts, even though the California courts have repeatedly eschewed adopting the *Daubert* tests, and in this decision, the Court of Appeal applied very *Daubert*-like criteria.

On January 31, 2005, The California Court of Appeal affirmed the trial court's dismissal of the complaint and approved the trial court's exclusion of the testimony of plaintiffs' expert. In doing so, the Court of Appeal adopted many of the arguments we made in our *amicus* brief and relied on many of the authorities we cited.

The Lockheed cases are among the important examples of lawsuits that depend on medical causation. The principles established in *Daubert* and in cases interpreting the California Evidence Code clearly identify Dr. Teitelbaum's "science" as faulty and unscientific. There was no solid evidence to support the claim that the Lockheed workers were harmed by the chemicals they handled.

The decision of the Court of Appeal was particularly gratifying because (1) it adopted many of the arguments we made in our brief and cited several of the scientific treatises only we alone brought to the court's attention and (2) it severely limited the impact of *Roberti v. Andy's Termite & Pest Control*, in which the very same appellate court had admitted flawed expert opinion proffered by the plaintiff, in a case in which we had filed an *amicus* brief urging the court to reject that expert testimony.

Atlantic Legal Foundation's participation in this case is in the public interest because it continues the Foundation's important contributions in ensuring that the judicial and regulatory processes utilize sound science and eschew "junk science," beginning with our *amicus* brief on behalf of several Nobel Laureates and other prominent scientists in *Daubert v. Merrell Dow Pharmaceuticals*, a case in which the U.S. Supreme Court cited and quoted our brief. Since then, the Foundation has frequently participated in cases in federal and state appellate courts throughout the United States to

assist the courts in understanding the scientific issues and principles involved in product liability, medical malpractice and mass tort cases.

National Federation of Independent Business v. EPA (U.S. District Court, District of Columbia) (First Chair)

In this challenge to the Environmental Protection Agency's lead reporting rule briefing of cross-motions for summary judgment was intense during the last quarter of 2004 and was completed in January 2005. Because King & Spalding, counsel for the petitioners in the companion case, *Ad Hoc Metal Group v. EPA*, had ceased active work on the case, a significant part of the burden of the case, both the "sound science" and the alleged failure of EPA to comply with the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act, fell on Atlantic Legal and involved substantial effort during the last three months of 2004 and the first few weeks of 2005. A decision from the U.S. District Court for the District of Columbia will likely be delayed because the case was recently reassigned to a new judge.

Atlantic Legal has first chair responsibility for seeing the case through to a just conclusion.

Atlantic Legal Foundation's participation in this case is in the public interest because it continues the Foundation's important contributions in ensuring that the judicial and regulatory processes utilize sound science and eschew "junk science" and that government agencies comply with laws protecting small business.

Economic Liberty

Brody v. Gargano (U.S. Court of Appeals, 2nd Circuit) (First Chair)

This exceptionally important challenge involves the abuse of eminent domain authority. It is the remaining portion of the case against the Empire State Development Corporation (the previous case, settled to the advantage of our client, was entitled *Minnich v. Gargano*) challenging, on due process grounds, the notice provisions of the New York Eminent Domain Procedure Law, in which we serve as co-counsel with the Institute for Justice.

Bill Brody purchased and renovated four adjacent buildings in Port Chester, New York, only to find that the village of Port Chester planned to condemn the buildings and then hand them over to a private developer. The developer intended to turn the property into part of a Stop 'n Shop and its parking lot. Brody stood to lose his property through the abuse of the power of eminent domain. Astonishingly, New York State law does not require the government to notify property owners in a timely and direct manner when it plans to condemn property through eminent domain. It requires only that notification of a *possible* future condemnation be published in the obscure legal notices section of the newspaper. This notice need not even mention the specific address of the property to be taken. If a property owner does not scour the legal notices section daily, he will likely miss the beginning of the 30-day window he has to challenge the condemnation. Of course, the notice does not mention the 30-day window at all. But by missing this 30-day deadline, the owner loses all rights to protest the condemnation at a later date.

After the last appeal to the Court of Appeals, in which certain procedural issues were decided adversely to the plaintiffs, the district court had dismissed the *Brody* case on standing grounds, finding that Brody had actual notice of ESDC's determination to condemn Brody's property. We appealed, and the Second Circuit reversed and remanded, finding that there was an issue of fact on the standing issue. The standing issue was briefed, and oral argument in the District Court before Judge Baer was held on January 26, 2004. In late January 2005, Judge Baer dismissed the case again. A notice of appeal has been filed.

In September of 2004, New York Governor George Pataki signed into law a bill requiring that municipalities and other local governments give actual notice to property owners (to be identified from local tax rolls) about the condemnation process. Condemnors now have to send certified mail notice to owners whose properties may be condemned, and the letters have to inform the owners that this is their one chance to challenge the condemnation; the problem Atlantic Legal and Institute for Justice are litigating in the *Brody v. Village of Port Chester* case has been rectified by legislation. Because the legislation is not retroactive, the *Brody* case is still active.

Atlantic Legal Foundation's participation in this case is in the public interest because New York's lack of an actual notice requirement created unnecessary impediments to the protection of private property against unwarranted takings, and served no legitimate public purpose.

Dore v. Arnold Worldwide (California Supreme Court) (*Amicus*)

Atlantic Legal filed an *amicus* brief on behalf of the Southern California chapter of the Association of Corporate Counsel on the merits in the California Supreme Court in support of defendant-appellant.

The case arises out of an alleged breach of an employment agreement. Brook Dore was hired as an advertising manager in the Los Angeles office of defendant Arnold Worldwide, a national advertising firm. The employment letter explicitly stated: "Brook, please know that as with all of our company employees, your employment with Arnold Communications, Inc. is at will. This simply means that Arnold Communications has the right to terminate your employment at any time just as you have the right to terminate your employment with Arnold Communications, Inc. at any time." Dore was terminated after 29 months of employment, with no reason given.

The crux of the legal issue is the plain meaning of termination "at will" as described in a letter offering employment that could end "at any time." The California Court of Appeal held that the offer letter was ambiguous because it defined employment at will as employment that can be terminated "at any time" but did not include the phrase "and for no cause." The lower court went on to find that the employee's 90-day "assessment period" was inconsistent with employment at will. The court also held that statements made during the interview process, such as the employer has a "family atmosphere" and was looking for a "long term solution" for its Los Angeles office, created a jury question regarding whether Dore was employed at will or under a contract requiring good cause for termination.

The issues before the California Supreme Court include (1) whether the definition of employment at will was ambiguous, permitting Dore to introduce evidence to explain the meaning, called "parol"

evidence, and (2) whether statements such as the employer has a “family atmosphere” and is looking for a “long term solution” for its office are sufficient to create a contractual expectation of employment that cannot be terminated without good cause, or are sufficiently specific to constitute an actionable “misrepresentation.”

Our brief, unlike that of the employer, points out that the statement in the employment agreement that “at will” means the employee can be terminated “at any time” echoes precisely the definition of “at will” in an earlier opinion of the California Supreme Court.

Atlantic Legal Foundation’s participation in this case was in the public interest because the concept of “at will” employment and freedom of contract are fundamental to our free market economy.

School Choice

Red Bank Litigation (*In the Matter of Grant of Renewal Application of the Red Bank Charter School, Monmouth County*) (the Supreme Court of New Jersey)

On June 29, 2004 the Supreme Court of New Jersey denied certiorari in the matter of the Red Bank Charter School, effectively bringing to an end the almost lethal assault on school choice by the ACLU and the New Jersey Education Association (NJEA). Atlantic Legal submitted an *amicus* brief on behalf of Excellent Education for Everyone (E3), a broadly-based New Jersey school choice advocacy group. The Red Bank appeal in the Superior Court, Appellate Division, raised a number of important issues regarding charter renewal procedures. The State Board of Education granted the Red Bank Charter School’s application to renew and extend its charter. But the decision was appealed. Arguing on behalf of the District Board, the New Jersey Education Association and the ACLU claimed that the charter should not have been renewed because the enrollment of white children in the charter had increased segregation in the district school. The appellants also alleged that a trial-like procedure that included the District Board should have been employed by the Commissioner of Education in extending the charter. Finally, the appellants contended that the charter’s funding will impoverish the district and so jeopardize its ability to deliver a thorough and efficient education. These contentions were rejected by the Commissioner of Education and by the State Board of Education. Our brief supported the decision of the State Board of Education.

In deciding the case in March, 2004, the Superior Court of New Jersey, Appellate Division, adopted virtually all of Atlantic Legal’s arguments, and approved the renewal and extension of the Red Bank Charter School. Significantly, the appellate court flatly rejected arguments made by the District Board and by the ACLU and the New Jersey Education Association. Our brief thoroughly and methodically dismantled the case against Red Bank Charter School.

Atlantic Legal’s participation in this charter school litigation is in the public interest because charter schools provide an innovative alternative to traditional public schools, and usually result in superior educational outcomes for students.

Charter School Attorney Clearinghouse

Atlantic Legal's Charter School Attorney Clearinghouse is designed to match experienced lawyers with relevant expertise with charter schools in need of legal counsel. Charter schools, like other organizations, face legal issues ranging from employment law to leasing issues, from contract disputes to interpretation of the state's education law, but are often not in a position to pay the "going rate" for private lawyers. Jackson Lewis LLP has indicated that it would be available to represent New York charters (and others) in negotiations with unions at favorable rates. The Charter Schools Association's leadership understandably was delighted at this offer as there are very few law firms with labor law expertise focusing on the rights of employers. In addition, we have recruited another volunteer from a prominent New York litigation boutique who is at work on our School Discipline project.

Atlantic Legal's participation in the charter school attorney clearing house is in the public interest because charter schools provide an innovative alternative to traditional public schools, and usually result in superior educational outcomes for students but usually do not have the resources to retain competent legal counsel.

Guidebook on Unionization of Charter Schools

Charter school advocates have described to Atlantic Legal the considerable problems charter schools encounter when a teachers' union launches a campaign to unionize a charter school. Sometimes using questionable and heavy-handed tactics, the union can lead teachers – who are often ignorant about the law – into signing over their representation to the union. Once unionized, a charter school will remain independent only in name and can suffer all of the damaging consequences of unionization on educational innovation and quality – consequences that led to the creation of charter schools in the first place.

Although there are many attorneys who believe in school choice and charter schools, often they are not skilled in labor law matters. Labor law is highly specialized and charter school boards need the advice of experts who can explain matters to laymen and educate individuals about their legal rights. Atlantic Legal secured the expertise of Jackson Lewis LLP, one of the nation's foremost specialists in labor law, to address this problem. Atlantic Legal has drafted *Leveling the Playing Field: What New York Charter Schools Can Do When the Union Calls*, now in the final editing process.

Creating and distributing this accessible and readable guide to the rights of charter schools in New York and charter school teachers vis-à-vis teachers' unions is of the utmost importance if the union's efforts to gain a foothold in these schools are to be challenged.

Atlantic Legal Foundation's central role in preparing this guide for charter schools administrators is in the public interest because charter schools provide an innovative alternative to traditional public schools, and usually result in superior educational outcomes for students.

Workshop for Charter School Leaders on Resisting Unionization

Excellent Education for Everyone asked Atlantic Legal to organize a seminar to educate New Jersey charter leaders about how to deal with efforts by the New Jersey Education Association to enlist teachers as members. We developed this seminar, recruited the participation of a New Jersey law firm skilled in explaining employment law from the employer's perspective, and was held in November of 2004. The seminar was sponsored by the New Jersey Charter School Research Center, the Rutgers Center for Effective School Practices as well as E3.

Atlantic Legal's participation in charter school activities are in the public interest because charter schools provide an innovative alternative to traditional public schools, and usually result in superior educational outcomes for students.

Corporate Governance

***Pereira v. Cogan* (U.S. Court of Appeals, 2nd Circuit) (*Amicus*)**

This case was argued in the U.S. Court of Appeals for the Second Circuit in November of 2004 and a decision is pending. Atlantic Legal filed an *amicus* brief on behalf of the Corporate Law Departments Section of the Los Angeles County Bar Association and twelve current and former general counsels of major corporations in support of Philip Smith's appeal. The trial court found Smith liable for over \$20 million in connection with his alleged failures to discharge his duties as chief legal officer of Trace International Holdings, a closely-held Delaware company.

The United States Bankruptcy Trustee had claimed that the majority shareholder, directors, and officers of Trace had breached their fiduciary duties to creditors and minority shareholders by failing to prevent "looting" of the company by the majority shareholder, CEO, and Chairman, Marshall Cogan. Cogan, it was alleged, looted Trace through excessive compensation, illegal dividends, a share buy-back transaction, employing his daughter, and loans to certain individuals.

Smith was found liable because of his participation in two transactions. The first, a legal repurchase of preferred stock, saved Trace millions of dollars in *pari passu* dividends. Though neither Cogan nor Smith reaped any personal gain from this transaction, the court found Smith personally liable because Trace was "in the vicinity of insolvency" when he structured the repurchase; the court was not persuaded that the transaction was "entirely fair" to the corporation, its creditors, or stockholders. The second series of transactions involved loans by Trace to Cogan. Though Smith did not know about most of these, though he did not benefit from them, and though he was not found to be negligent, the court found Smith liable for all of the Cogan loans on the grounds that he "should have" known of them and should have acted to prevent them.

Our brief argued that the Delaware Business Judgment Rule accords corporate officers a presumption of propriety where they do not breach a duty of loyalty to benefit themselves unless their conduct was grossly negligent. We noted that in finding Smith liable for Cogan's misdeeds, the trial court had effectively reversed the traditional role of the client and lawyer. The duty of a CLO established by the *Pereira* court is to be an all-knowing detective and infallible advisor. That standard is impossible for corporate legal officers to meet, and will not only unreasonably impose liability on CLOs, but may well deter competent persons from accepting in-house legal positions.

Atlantic Legal Foundation's participation in this case is in the public interest, because the definition of the proper scope of the responsibilities of in-house corporate counsel is particularly important in today's heightened awareness of the essential role proper corporate governance plays in the financial markets and the economy in general.

Equal Protection - Reverse Discrimination

***GEOD v. New Jersey Transit* (U.S. District Court, New Jersey) (First Chair)**

In May of 2004 Atlantic Legal filed suit against New Jersey Transit on behalf of GEOD Corporation challenging the constitutionality of New Jersey Transit's discriminatory contracting policies. Our previous case in this area, *GEOD v. New Jersey*, was a truly historic victory. Atlantic Legal changed the public-contracting laws of every state agency in the State of New Jersey. We defeated the state's indefensible program of "set-aside contracts" that prevented white, male-owned firms from *competing* for state contracts solely because the owners are white males. Despite the dramatic implications of the previous case—described by New Jersey legal expert and author Steven Brawer as "one of the most sweeping developments for New Jersey public contractors in years"—New Jersey Transit continued to deny GEOD the opportunity to bid for business.

New Jersey Transit is a public corporation that owns and operates commuter rail and bus lines in New Jersey. Some of New Jersey Transit's funding is derived from the State of New Jersey, and so it is subject to Atlantic Legal's victory against New Jersey, but the vast majority of New Jersey Transit's funding is from U.S. Department of Transportation programs. New Jersey Transit claims that Federal guidelines exclude GEOD from bidding for contracts.

Our complaint alleges that New Jersey Transit's program is based on a "disparity study" that is methodologically unsound, that New Jersey Transit does not have a "compelling interest" in remedying present or past discrimination or its effects, and that New Jersey Transit's DBE program is not "narrowly tailored," as required by *City of Richmond v. Croson*.

Discovery has begun – both sides have served interrogatories and document requests. It is likely that discovery will last through the Spring and into the Summer of 2005. If the case is not settled, we will likely move for summary judgment at the completion of discovery.

Atlantic Legal Foundation's participation in this case is in the public interest because the issue of racial, ethnic and gender preferences in public employment and awarding of public contracts, remains a divisive issue. Preferences affect the efficiency of public services, and can exacerbate societal tensions.

New York State Court Restructuring Project

Atlantic Legal completed a report reviewing the proposals to reform the New York State Court System. Our report, which was prepared over a two-year period, drafted and revised in the second half of 2004, and made public in March of 2005 was adopted by Atlantic Legal's Board of Directors in March 2005 and provides strong support for the proposal of the Chief Judge of the State of New York.

New York legal proceedings occur in courts of general and limited jurisdiction (for example, the Court of Claims hears cases against the state, Family Court deals with custody matters, and Criminal Courts handle cases involving criminal conduct). The Chief Justice seeks to consolidate a number of courts and allow for more flexibility when assigning judges to those functions and issues where there is greater demand. Additionally, the Chief Justice wishes to place related issues, which might otherwise be litigated in numerous courts simultaneously, into the hands of one judge (thus mimicking the federal system, where a judge typically oversees all aspects of a case from beginning to end). The objective is to make the courts more efficient and speedier.

This project is in the public interest because it affects public access to, and perception of, the judicial system. Atlantic Legal Foundation will bring an objective voice to the public debate about a vital issue that affects the public directly (if they are litigants or other users of judicial services), and indirectly (as taxpayers).

Internship Program

In the summer of 2004, Atlantic Legal expanded its tradition of hosting academic interns from many of America's major universities and colleges as well as foreign lawyers and law students. Six summer interns, carefully selected from among numerous outstanding applicants, helped Atlantic Legal to accomplish its mission in an economical and mutually beneficial manner. In the fall, we hosted a full-time academic intern who is a French law graduate, received a master's in law from Georgetown University Law School and passed the New York Bar Examination while interning for Atlantic Legal, and in the winter we hosted a law student from Australia.

In addition to doing extensive research on current cases, Atlantic Legal's interns engaged in reading and discussion seminars concerning economic liberty, sound science, school choice, and individual rights. Atlantic Legal believes that educating students about limited, responsible and effective government, free enterprise, individual liberty, and sound science is fundamental to the survival of a free society.

Atlantic Legal's internship program serves the public interest because it gives law students, pre-law students and recent graduates exposure to public interest law and to public law and policy issues that they do not ordinarily get working for private law firms or other private employers.

ATLANTIC LEGAL FOUNDATION

ADDITIONAL DIRECTORS AND OFFICERS (NOT COMPENSATED)

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Hayward D. Fisk, Esq.
Computer Sciences Corp.
2100 East Grand Ave.
El Segundo, CA 90245

Director/Vice Chairman:

Douglas Foster, Esq.
96 Bulkley Road
Williamstown, MA 01267

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Charles R. Work, Esq.
McDermott, Will & Emery
600 13th St., N.W.
Washington, DC 20005

Director/Treasurer:

Stephen J. Harmelin, Esq.
Dilworth Paxson LLP
1735 Market St., 32nd Fl.
Philadelphia, PA 19103

The following are all Directors:

Francis B. Burch, Jr., Esq.
DLA Piper Rudnick Gray Cary US LLP
6225 Smith Ave.
Baltimore, MD 21209

William J. Calise, Jr., Esq.
Rockwell Automation
777 Wisconsin Ave., Suite 1400
Milwaukee, WI 53202

George S. Frazza, Esq.
Patterson, Belknap, Webb & Tyler LLP
1133 Ave. of the Americas
New York, NY 10036

Directors (continued)

William H. Graham, Esq.
Connell Foley LLP
85 Livingston Ave.
Roseland, NJ 07068

Ernest B. Hueter
1620 Eye St., NW, Suite 210
Washington, DC 20006

Jeffrey B. Kindler, Esq.
Pfizer Inc
235 East 42nd St.
New York, NY 10017

Edwin L. Lewis, Esq.
Photronics, Inc.
15 Secor Road
Brookfield, CT 06804

Robert A. Lonergan, Esq.
Rohm and Haas Co.
100 Independence Mall West
Philadelphia, PA 19106

William B. Lytton, Esq.
Tyco International Ltd.
9 Roszel Road
Princeton, NJ 08540

Frank H. Menaker, Esq.
Lockheed Martin Corp.
6801 Rockledge Drive
Bethesda, MD 20817

Ernest T. Patrikas, Esq.
American International Group, Inc.
70 Pine St.
New York, NY 10270

Directors (continued)

Thomas L. Sager, Esq.
DuPont Co.
1007 Market St.
Wilmington, DE 19898

Philip R. Sellinger, Esq.
Greenberg Traurig, LLP
200 Campus Dr.
P.O. Box 677
Florham Park, NJ 07932

Clifford B. Storms, Esq.
Two Sound View Dr., Suite 100
Greenwich, CT 06830

Stephen T. Whelan, Esq.
Thacher Proffitt & Wood
2 World Financial Center
New York, NY 10281

James I. Wyer, Esq.
911 Navesink River Road
Locust, NJ 07760

Director *Emeritus*:

Dr. Frederick Seitz
The Rockefeller University
1230 York Ave.
New York, NY 10021